

**NORTH SUMMIT SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

**NORTH SUMMIT SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2005
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Wood·Richards

AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA

Lynn J. Wood, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Board of Education
North Summit School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Summit School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Summit School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Summit School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2005, on our consideration of North Summit School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Summit School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wood Richards & Associates

Ogden, Utah
September 20, 2005

CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH SUMMIT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

This document is a narrative overview and analysis of the financial activities of North Summit School District for the fiscal year ending June 30, 2005. North Summit School District management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the district's activities are classified in the following manner: government activities include basic services such as instructional services, supporting services (students, instructional staff, general district administration, school administration, business, operation and maintenance, and student transportation), food service, and other. There are no business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the district owns the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses gross and net costs of district programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The District's major government funds are presented in their own column and the remaining funds are combined into a column titled "Other Government Funds." A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the District's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Fund's section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

NORTH SUMMIT SCHOOL DISTRICT

MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

District as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2005 and 2004 follows:

	Governmental Activities	
	2005	2004
Cash and investments	\$ 8,275,816	\$12,847,690
Other assets	443,291	243,524
Capital assets	14,763,326	8,145,009
Total assets	23,482,433	21,236,223
Other liabilities	2,599,289	928,023
Long term outstanding	12,656,259	13,200,808
Total liabilities	15,255,548	14,128,831
Net assets:		
Invested in capital assets, Net of related debt	2,171,384	(4,988,082)
Restricted	4,290,491	11,097,146
Unrestricted	1,765,010	1,122,860
Total net assets	\$ 8,226,885	\$ 7,231,924

During the year ended June 30, 2005 there was one significant event that changed the balance of net assets. An explanation of this event follows:

The District built a middle school, which is 90% complete. As of the end of the fiscal year the total cost is \$ 6,824,320.

NORTH SUMMIT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

A condensed version of the Statement of Activities follows:

Governmental and Proprietary Activities For the years ended June 30, 2005 and 2004

	Governmental Activities	
	2005	2004
Revenues		
Program revenues		
Charges for services	\$ 193,214	\$ 183,382
Grants and contributions	2,492,319	2,471,664
General revenues:		
Taxes	3,938,941	3,111,022
Federal and state aid	2,170,029	1,806,450
Earnings on investments	263,529	57,824
Miscellaneous	112,791	45,395
Total revenues	9,170,823	7,675,737
Expenses		
Instructional services	4,316,828	4,059,668
Supporting services:		
Students	486,180	305,411
Instructional staff	118,050	117,942
General district administration	223,805	259,252
School administration	359,973	352,811
Business	101,866	103,620
Operation and maintenance	1,047,429	1,004,555
Student transportation	466,476	426,975
Food service personnel	303,536	304,065
Other	386,950	411,407
Interest on long-term liabilities	364,769	54,252
Total expenses	8,175,862	7,399,958
Change in net assets	994,961	275,779
Beginning net assets	7,231,924	6,956,145
Ending net assets	\$ 8,226,885	\$ 7,231,924

NORTH SUMMIT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Governmental activities:

For the year ended June 30, 2005 the total revenues for the governmental activities were \$ 9,170,823. Program revenues totaled \$ 2,685,533. The major sources of program revenues are charges for services, and operating grants and contributions. General revenues for the year totaled \$ 6,485,290. The major sources of general revenues are taxes, federal and state aid, and interest earnings. Taxes comprise 43% of the District's governmental fund revenues.

Budgetary Highlights

Over the course of the year the District made no revisions to the budget. At the end of the year there were no budget shortfalls. In total, the general fund's expenditures were \$ 192,525 less than was budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005 the District had \$ 14,763,326 invested in capital assets, including land, buildings, and equipment. This amount represents a net increase (additions, deductions, and depreciation) of \$ 6,618,317, or 81% over last year.

	Governmental Activities	
	2005	2004
Land	\$ 1,736,101	\$ 1,736,101
Buildings	16,864,260	9,984,414
Equipment	950,289	852,748
Subtotal	19,550,650	12,573,263
Accumulated depreciation	4,787,324	4,428,254
Capital assets, net	<u>\$14,763,326</u>	<u>\$ 8,145,009</u>

The most significant change to the capital assets during the current year was the construction of the new middle school for \$ 6,824,320.

NORTH SUMMIT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Debt Outstanding

At year-end, the District had \$ 12,656,259 in bonds and notes outstanding versus \$ 13,200,807 last year, a decrease of \$ 544,548.

	Governmental Activities	
	2005	2004
General obligation bonds	\$ -	\$ 250,000
South Summit School District	124,372	152,168
Lease purchase 3.103%	598,995	598,995
Lease purchase 3.900%	1,027,309	1,114,820
2004 Series Bonds	10,825,000	11,000,000
2004 Series Bonds Premium	80,583	84,824
Total debt outstanding	<u>\$ 12,656,259</u>	<u>\$ 13,200,807</u>

More detailed information on the District's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Property taxes make up 43% of general fund revenues.

The District has had population increases and property valuation increases over the last four to five years that will help deal with the increase in demand in future years.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Business Administrator at 76 S 100 E, Coalville, Utah 84017.

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BASIC FINANCIAL STATEMENTS

**NORTH SUMMIT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005**

ASSETS	Governmental Activities
Current Assets:	
Cash and investments	\$ 8,275,816
Accounts receivable	369,831
Inventories	9,143
Total Current Assets	8,654,790
Capital assets:	
Land	1,736,101
Buildings	16,864,260
Equipment	950,289
Less Accumulated depreciation	(4,787,324)
Capital Assets, Net	14,763,326
Other assets:	
Unamortized bond issue costs	64,317
Total Assets	23,482,433
LIABILITIES	
Current liabilities:	
Accounts payable	1,806,077
Accrued wages payable	604,976
Accrued liabilities payable	128,154
Due to student organizations	60,082
Total Current Liabilities	2,599,289
Noncurrent liabilities:	
Due within one year	
Current portion of notes payable	31,040
Current portion of lease purchase agreements	349,208
Current portion of bonds payable	370,000
Due in more than one year	
Notes payable	93,333
Lease purchase agreements	1,277,095
Bonds payable	10,455,000
Unamortized bond premium	80,583
Total Noncurrent Liabilities	12,656,259
Total Liabilities	15,255,548
NET ASSETS	
Invested in capital assets, net of related debt	2,171,384
Fund balances:	
Undistributed reserve	70,112
Restricted for grant programs	49,627
Restricted for school buildings	4,170,752
Unrestricted	1,765,010
Total Net Assets	\$ 8,226,885

See accompanying notes to the financial statements

**NORTH SUMMIT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instructional services	\$ 4,316,828	\$ -	\$ 1,902,861	\$ -	\$ (2,413,967)
Supporting services:					
Students	486,180	16,554	67,499	-	(402,127)
Instructional staff	118,050	-	146,137	-	28,087
General district administration	223,805	-	-	-	(223,805)
School administration	359,973	-	-	-	(359,973)
Business	101,866	-	-	-	(101,866)
Operation and maintenance	1,047,429	-	-	-	(1,047,429)
Student Transportation	466,476	-	252,544	-	(213,932)
Food service personnel	303,536	176,660	123,278	-	(3,598)
Other	386,950	-	-	-	(386,950)
Interest on long-term liabilities	364,769	-	-	-	(364,769)
Total school district	\$ 8,175,862	\$ 193,214	\$ 2,492,319	\$ -	(5,490,329)

General revenues:

Property taxes levied for:

General purposes	1,414,232
Recreation	288,871
Debt service	784,849
Capital outlay	1,450,989
Federal and state aid not restricted to specific purposes	2,170,029
Earnings on investments	263,529
Miscellaneous	112,791

Total general revenues and special item 6,485,290

Change in net assets 994,961

Net assets - beginning 7,231,924

Net assets - ending **\$ 8,226,885**

See accompanying notes to the financial statements

NORTH SUMMIT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Major Funds</u>			
	<u>Maintenance and Operation</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 2,195,533	\$ 5,671,733	\$ 408,550	\$ 8,275,816
Accounts receivable	273,609	62,540	33,682	369,831
Inventories	-	-	9,143	9,143
Total assets	<u>\$ 2,469,142</u>	<u>\$ 5,734,273</u>	<u>\$ 451,375</u>	<u>\$ 8,654,790</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 870,970	\$ 935,107	\$ -	\$ 1,806,077
Accrued wages payable	604,976	-	-	604,976
Accrued liabilities payable	128,154	-	-	128,154
Due to student organizations	-	-	60,082	60,082
Total liabilities	<u>1,604,100</u>	<u>935,107</u>	<u>60,082</u>	<u>2,599,289</u>
Fund equity:				
Fund balances:				
Undistributed Reserve	70,112	-	-	70,112
Designated	49,627	-	-	49,627
Reserve for School Buildings	-	4,170,752	-	4,170,752
Unreserved, undesignated	745,303	628,414	391,293	1,765,010
Total fund equity	<u>865,042</u>	<u>4,799,166</u>	<u>391,293</u>	<u>6,055,501</u>
Total liabilities and fund equity	<u>\$ 2,469,142</u>	<u>\$ 5,734,273</u>	<u>\$ 451,375</u>	<u>\$ 8,654,790</u>

See accompanying notes to the financial statements

**NORTH SUMMIT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balance - governmental funds **\$ 6,055,501**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	1,736,101	
Buildings	16,864,260	
Equipment	950,289	
Less Accumulated Depreciation	<u>(4,787,324)</u>	14,763,326

Bond issuance costs are amortized over the life of the bonds on the statement of net assets		64,317
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities -both current and long-term - are reported in the statement of net assets. Balances at year end are:

Bonds payable	(10,825,000)	
Note payable	(124,373)	
Lease/purchase agreement	(1,626,303)	
Unamortized bond premium	<u>(80,583)</u>	<u>(12,656,259)</u>

Total net assets - governmental activities		<u><u>\$ 8,226,885</u></u>
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See accompanying notes to the financial statements

NORTH SUMMIT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>Maintenance and Operation</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenue:				
Local revenue:				
Property tax	\$ 1,414,232	\$ 1,450,989	\$ 1,073,720	\$ 3,938,941
Earnings from investments	52,123	-	211,406	263,529
Other local sources	112,791	-	193,214	306,005
State aid	4,115,268	-	88,040	4,203,308
Federal aid	362,016	-	97,024	459,040
Total revenue	6,056,430	1,450,989	1,663,404	9,170,823
Expenditures:				
Instructional services	4,316,828	-	-	4,316,828
Support services:				
Students	146,659	-	-	146,659
Instructional staff	118,050	-	-	118,050
General district administration	221,709	-	-	221,709
School administration	337,794	-	-	337,794
Business	101,866	-	-	101,866
Operation and maintenance	232,938	-	-	232,938
Student transportation	386,824	-	-	386,824
Food services	-	-	303,536	303,536
Other	1,237	-	385,713	386,950
Capital outlay	-	7,876,257	-	7,876,257
Debt service:				
Principal retirement	-	87,511	452,796	540,307
Interest and fiscal charges	-	36,913	328,697	365,610
Total expenditures	5,863,905	8,000,681	1,470,742	15,335,328
Excess (deficiency) of revenue over expenditures	192,525	(6,549,692)	192,662	(6,164,505)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenue and other sources (uses) over expenditures	192,525	(6,549,692)	192,662	(6,164,505)
Fund balances (deficit) - beginning of year	672,517	11,348,858	198,631	12,220,006
Fund balances (deficit) - end of year	\$ 865,042	\$ 4,799,166	\$ 391,293	\$ 6,055,501

See accompanying notes to the financial statements

**NORTH SUMMIT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances-total governmental funds **\$ (6,164,505)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	6,977,388	
Depreciation expense	<u>(359,070)</u>	6,618,318

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of bond principal	540,307
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Governmental funds report the effect of issuance costs and premiums when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The effects of these differences in the treatment of general obligation bonds and related items is as follows:

Amortization of bond premium	4,241	
Amortization of bond issuance costs	<u>(3,400)</u>	<u>841</u>

Change in net assets of governmental activities	<u><u>\$ 994,961</u></u>
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See accompanying notes to the financial statements

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of North Summit School District is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

Organization

North Summit School District (District) operates under a board/superintendent form of government and provides public education to the residents of North Summit, Utah.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Government-wide and fund financial statements

The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

NORTH SUMMIT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2005

1. Summary of Significant Accounting Policies (continued)

Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *Maintenance and Operation Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the Maintenance and Operation Fund.

The *Capital Projects Fund* is used to account for all resources for the acquisition or construction of capital facilities by the District.

The District reports the following nonmajor governmental funds

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* accounts for the accumulation of resources used for the acquisition or construction of capital improvements (other than those financed by Proprietary Funds and Trust Funds).

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, early retirement and post-employment healthcare benefits, arbitrage rebates, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Budgets are adopted on a basis consistent with generally accepted accounting principles. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the patrons of the District.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies (continued)

Budgetary Data (continued)

- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and Investments

The cash balance of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The District's investments are reported at fair value at year-end. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies (continued)

Inventories

USDA commodity products have been valued in the financial statements at fair market value. When the commodities are used they are included in the school food service fund as a cost of food sold and as revenue from federal programs.

Purchased food inventory is reported as expenditure when the inventory is consumed. Such inventory is valued using the first-in, first-out cost method.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, and furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements and portable classrooms	20
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Vehicles	10
Computer equipment	5

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. While discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity

Fund Financial Statements:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses the restricted resources first, then unrestricted resources.

2. Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the District's funds. Deposits are not collateralized nor are they required to be by State statute.

NORTH SUMMIT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2005

2. Deposits and Investments (continued)

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$5,367,235 of the District's bank balances of \$5,467,235 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

NORTH SUMMIT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2005

2. Deposits and Investments (continued)

As of June 30, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	3,073,826	3,073,826	-	-	-	not rated
	3,073,826	3,073,826	-	-	-	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing only in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. Deposits and Investments (continued)

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:	
Cash on deposit	5,201,990
PTIF investment	<u>3,073,826</u>
Total cash and investments	<u><u>\$ 8,275,816</u></u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and investments	<u>\$ 8,275,816</u>
Total cash and investments	<u><u>\$ 8,275,816</u></u>

3. Accounts Receivable

The property tax revenue of the District is collected and distributed by the North Summit Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners.

A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer.

Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

3. Accounts Receivable (continued)

The accounts receivable as of Jun 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	Maintenance and Operation	Capital Projects	Recreation	Debt Service	Total
Receivables:					
Tax	\$ 49,872	\$ 62,540	\$ 13,180	\$ 20,502	\$ 146,094
Local	45,673	-	-	-	45,673
State	14,533	-	-	-	14,533
Federal	163,531	-	-	-	163,531
Gross Receivables	273,609	62,540	13,180	20,502	369,831
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total	<u>\$ 273,609</u>	<u>\$ 62,540</u>	<u>\$ 13,180</u>	<u>\$ 20,502</u>	<u>\$ 369,831</u>

4. Capital Assets

Capital Asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	<u>\$1,736,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,736,101</u>
Total capital assets, not being depreciated	1,736,101	-	-	1,736,101
Capital assets, being depreciated				
Buildings	9,984,414	6,879,846	-	16,864,260
Equipment	<u>852,748</u>	<u>97,541</u>	<u>-</u>	<u>950,289</u>
Total capital assets, being depreciated	10,837,162	6,977,387	-	17,814,549
Accumulated Depreciation for:				
Buildings	(4,041,367)	(279,418)	-	(4,320,785)
Equipment	<u>(386,887)</u>	<u>(79,652)</u>	<u>-</u>	<u>(466,539)</u>
Total accumulated depreciation	<u>(4,428,254)</u>	<u>(359,070)</u>	<u>-</u>	<u>(4,787,324)</u>
Total capital assets, being depreciated, net	<u>6,408,908</u>	<u>6,618,317</u>	<u>-</u>	<u>13,027,225</u>
Governmental activities capital assets, net	<u>\$8,145,009</u>	<u>\$6,618,317</u>	<u>\$ -</u>	<u>\$14,763,326</u>

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

4. Capital Assets (continued)

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

Governmental activities:

Supporting services:

Students	8,628
General district administration	2,096
School administration	22,179
Operation and maintenance	246,515
Student transportation	<u>79,652</u>

Total depreciation expense \$ 359,070

5. Accrued Wages Payable

Wages payable result from unpaid employee service at the balance sheet date. This amount arises from teacher contracts which spread payments for ten months of service over a twelve month period.

6. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
South Summit School District	152,168	-	(27,796)	124,372	31,040
Lease purchase 3.103%	598,995	-	-	598,995	294,919
Lease purchase 3.900%	1,114,820	-	(87,511)	1,027,309	54,289
2004 Series Bonds	11,000,000	-	(175,000)	10,825,000	370,000
2004 Series Bonds Premium	84,824	-	(4,241)	80,583	-
Total Debt	<u>13,200,807</u>	<u>-</u>	<u>(544,548)</u>	<u>12,656,259</u>	<u>761,188</u>
Total Governmental Activities	<u><u>\$13,200,807</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (544,548)</u></u>	<u><u>\$12,656,259</u></u>	<u><u>\$ 761,188</u></u>

General Obligation Bonds:

The District had \$250,000 in general obligation bonds outstanding, with an average interest rate of 4.5%. The bonds fully matured in 2005.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

6. Long-term Liabilities (continued)

South Summit School District:

The District has \$124,372 in a note payable to South Summit School District. This note was created by a change in School District boundaries. No interest is due. The debt maturities are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>
2006	31,040
2007	31,070
2008	31,058
2009	31,204
Total	\$ 124,372

Lease Purchase 3.103%

The District has \$598,995 in lease/purchase agreement, with an interest rate of 3.103%. Repayment will be due in years 2006 through 2007. The debt maturities are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2006	294,919	18,587	313,506
2007	304,076	9,430	313,506
Total	\$ 598,995	\$ 28,017	\$ 627,012

Lease Purchase 3.900%

The District has \$1,027,309 in lease/purchase agreement, with an interest rate of 3.900%. Repayment will be due in years 2006 through 2019. The debt maturities are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2006	\$ 54,289	\$ 39,541	\$ 93,830
2007	56,427	37,403	93,830
2008	58,649	35,181	93,830
2009	60,959	32,871	93,830
2010	63,360	30,470	93,830
2011-2015	356,248	112,902	469,150
2016-2019	377,377	36,409	413,786
Total	\$ 1,027,309	\$ 324,777	\$ 1,352,086

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

6. Long-term Liabilities (continued)

2004 Series Bonds

The District has \$10,825,000 in outstanding general obligation bonds issued in 2004 with a true interest rate of 3.92%. Repayment will be due in years 2005 through 2024 and will be financed from the proceeds of property taxes. The debt maturities are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2006	\$ 370,000	\$ 398,261	\$ 768,261
2007	395,000	390,861	785,861
2008	415,000	382,961	797,961
2009	445,000	372,586	817,586
2010	475,000	360,349	835,349
2011-2015	2,605,000	1,569,529	4,174,529
2016-2020	3,130,000	1,042,744	4,172,744
2021-2024	2,990,000	347,055	3,337,055
Total	<u>\$10,825,000</u>	<u>\$ 4,864,346</u>	<u>\$15,689,346</u>

7. Inter-fund Balances and Activity

For the year ended June 30, 2005, there were no transfers made between funds or receivables due between funds.

8. Pension and Deferred Compensation Agreements

State and School - Cost Sharing

Plan Description. The North Summit School District contributes to the State and School Noncontributory Retirement System and the State and School Noncontributory Retirement Systems, cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Noncontributory Retirement System the District is required to contribute 11.70% of their annual covered salary. A copy of the report may be obtained by writing the Utah Retirement Systems, 540 East 200 South, Salt lake City, UT 84102 or by calling 1-800-365-8772.

NORTH SUMMIT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

8. Pension and Deferred Compensation Agreements (continued)

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 0.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the District is required to contribute 0.00% of their annual covered salary. In the State and School Noncontributory Retirement System the District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$0, \$0, and \$0 respectively and for the Noncontributory Retirement System the Contributions for June 30, 2005, 2004, and 2003 were \$440,348, \$396,481, and \$370,598 respectively. The contributions were equal to the required contributions for each year.

The District provides a 401(k) plan through which employees may make contributions. The District made matching contributions for the years ending June 30, 2005, 2004, and 2003 in the amounts of \$49,267, \$50,834, and \$53,455 respectively.

9. Grants

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the Maintenance and Operation fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH SUMMIT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAINTENANCE AND OPERATION
YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes	\$ 1,339,967	\$ 1,403,015	\$ 1,414,232	\$ 11,217
Earnings on investments	87,227	53,684	52,123	(1,561)
Other local sources	74,800	84,814	112,791	27,977
State aid	4,025,222	4,135,546	4,115,268	(20,278)
Federal aid	328,598	367,944	362,016	(5,928)
Total revenues	5,855,814	6,045,003	6,056,430	11,427
Expenditures:				
Current:				
Instructional services	4,315,393	4,459,489	4,316,828	142,661
Supporting services:				
Students	152,500	147,094	146,659	435
Instructional staff	121,000	120,032	118,050	1,982
General district administration	221,849	228,515	221,709	6,806
School administration	342,500	338,396	337,794	602
Business	103,475	103,345	101,866	1,479
Operation and maintenance of facilities	218,797	258,972	232,938	26,034
Student Transportation	378,800	387,660	386,824	836
Other support	1,500	1,500	1,237	263
Total expenditures	5,855,814	6,045,003	5,863,905	181,098
Excess of revenues over expenditures	-	-	192,525	192,525
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	-	-	192,525	192,525
Fund balances - beginning	672,517	672,517	672,517	-
Fund balances - ending	\$ 672,517	\$ 672,517	\$ 865,042	\$ 192,525

See accompanying notes to the financial statements

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SUPPLEMENTARY INFORMATION

NORTH SUMMIT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			
	Recreation	Food Service	Non K-12	School Funds
ASSETS				
Cash	\$ 21,392	\$ 6,759	\$ 3	\$ 60,082
Accounts receivable	13,180	-	-	-
Inventory at cost	-	9,143	-	-
Total assets	\$ 34,572	\$ 15,902	\$ 3	\$ 60,082
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to student organizations	\$ -	\$ -	\$ -	\$ 60,082
Total liabilities	-	-	-	60,082
Fund balances (deficit):				
Unreserved, undesignated	34,572	15,902	3	-
Total fund balances	34,572	15,902	3	-
Total liabilities and fund balances	\$ 34,572	\$ 15,902	\$ 3	\$ 60,082

<u>Debt Service</u>	<u>Building Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2	\$ 320,312	\$ 408,550
20,502	-	33,682
-	-	9,143
<u>\$ 20,504</u>	<u>\$ 320,312</u>	<u>\$ 451,375</u>
\$ -	\$ -	\$ 60,082
-	-	60,082
<u>20,504</u>	<u>320,312</u>	<u>391,293</u>
<u>20,504</u>	<u>320,312</u>	<u>391,293</u>
<u>\$ 20,504</u>	<u>\$ 320,312</u>	<u>\$ 451,375</u>

NORTH SUMMIT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>		
	<u>Recreation</u>	<u>Food Service</u>	<u>Non K -12</u>
Revenue:			
Local revenue:			
Property tax	\$ 288,871	\$ -	\$ -
Earnings from investments	-	-	-
Other local sources	16,554	176,660	-
State	-	36,447	51,593
Federal	-	86,831	10,193
Total revenue	<u>305,425</u>	<u>299,938</u>	<u>61,786</u>
Expenditures:			
Food service	-	303,536	-
Other	323,927	-	61,786
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>323,927</u>	<u>303,536</u>	<u>61,786</u>
Excess (deficiency) of revenue over (under) expenditures	(18,502)	(3,598)	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures	(18,502)	(3,598)	-
Fund balance (deficit) - beginning of year	<u>53,074</u>	<u>19,500</u>	<u>3</u>
Fund balance (deficit) - end of year	<u>\$ 34,572</u>	<u>\$ 15,902</u>	<u>\$ 3</u>

<u>Debt Service</u>	<u>Building Reserve</u>	<u>Total</u>
\$ 784,849	\$ -	\$ 1,073,720
-	211,406	211,406
-	-	193,214
-	-	88,040
-	-	97,024
<u>784,849</u>	<u>211,406</u>	<u>1,663,404</u>
-	-	303,536
-	-	385,713
452,796	-	452,796
<u>328,697</u>	<u>-</u>	<u>328,697</u>
<u>781,493</u>	<u>-</u>	<u>1,470,742</u>
3,356	211,406	192,662
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
3,356	211,406	192,662
<u>17,148</u>	<u>108,906</u>	<u>198,631</u>
<u>\$ 20,504</u>	<u>\$ 320,312</u>	<u>\$ 391,293</u>

AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of Education
North Summit School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Summit School District, as of and for the year ended June 30, 2005, which collectively comprise North Summit School District's basic financial statements and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Summit School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Summit School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah
September 20, 2005

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

The Honorable Board of Education
North Summit School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of North Summit School District, for the year ended June 30, 2005 and have issued our report thereon dated September 20, 2005. As part of our audit, we have audited North Summit School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major assistance programs from the State of Utah.

Minimum School Program

The District received the following nonmajor State grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of North Summit School District's financial statements).

Drivers Education

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation & Property
- Tax Limitations
- Other General Compliance Issues

The management of North Summit School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, North Summit School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Wood Richards & Associates

September 20, 2005



Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

September 20, 2005

Honorable Board of Education
North Summit School District

We have recently completed our audit of the basic financial statements of North Summit School District for the year ended June 30, 2005. During our audit we noted the following item for your consideration:

1. State law requires that every public treasurer secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. The current bond does not meet this criterion. We recommend that you increase the bond amount to meet the required criterion.

We appreciate the cooperation we received during the course of our audit.

Sincerely,

Wood Richards & Associates

Wood, Richards & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264